**INFORMATION TECHNOLOGY CATEGORY**

**HARDWARE SUBCATEGORY**

**SIN 532420L Option 2 Lease Terms and Conditions**

Option 2 Lease Terms and Conditions contains a cancellation clause, in which the fee must be in accordance with applicable legal principles.

To the extent an Offeror wishes to propose alternative lease terms and conditions that provide for lower discounts/prices based on the ordering activity’s stated intent to fulfill the projected term of a lease including option years, while at the same time including separate charges for early end of the lease, the following terms apply. These terms address the timing and extent of the ordering activity’s financial obligation including any potential charges for early end of the lease.

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| 52.207-5  | Option to Purchase Equipment | Feb 1995 |
| 52.227-14 | Rights in Data-General | May 2014 |

1. LEASING PRICE LIST NOTICE
	1. Contractors must include the following notice in their contract price list for SIN 532420L:

“The ordering activity is responsible for the obligation of funds consistent with applicable law. Agencies are advised to review the lease terms and conditions contained in this price list prior to ordering and obligating funding for a lease.”

1. STATEMENT OF ORDERING ACTIVITY INTENT
	1. The ordering activity and the Contractor understand that a delivery order issued pursuant to this SIN is a lease arrangement and contemplates the use of the product for the term of the lease specified in such delivery order (the “Lease Term”). In that regard, the ordering Activity, as lessee, understands that the lease provisions contained herein and the rate established for the delivery order are premised on the ordering Activity's intent to fulfill that agreement, including acquiring products for the period of time specified in the order. Each lease hereunder shall be initiated by a delivery order which shall, either through a statement of work or other attachment, specify the product being leased, and the required terms of the transaction.
	2. Each ordering activity placing a delivery order under the terms of this option intends to exercise each renewal option and to extend the lease until completion of the Lease Term so long as the need of the ordering activity for the product or functionally similar product continues to exist and funds are appropriated. Contractor may request information from the ordering activity concerning the essential use of the products.
2. LEASE TERM
	1. The date on which the ordering activity accepts the products is the Commencement Date of the lease. For acceptance to occur, the products must operate in accordance with the product’s published specifications and statement of work. Acceptance shall be in accordance with the terms of the contract or as otherwise negotiated by the ordering activity and the Contractor.
	2. Any lease is executed by the ordering activity on the basis that the known requirement for such product exceeds the initial base period of the delivery order, which is typically 12 months, or for the remainder of the fiscal year. Pursuant to FAR and/or DFAR 232.703-3(b), delivery orders with options to renew that are funded by annual (fiscal year) appropriations may provide for initial base periods and option periods that cross fiscal years as long as the initial base period or each option period does not exceed a 12 month period.. This cross fiscal year authority does not apply to multi-year leases.
	3. The total Lease Term will be specified in each delivery order, including any relevant renewal options of the ordering activity. All delivery orders, whether for the initial base period or renewal period, shall remain in effect through September 30 of the fiscal year (unless extended by statute), through any earlier expiration date specified in the delivery order, or until the ordering activity exercises its rights hereunder to acquire title to the product prior to such expiration date. The ordering activity, at its discretion, may exercise each option to extend the term of the lease through the lease term. Renewal delivery orders shall not be issued for less than all of the product and/or software set forth in the original delivery order. Delivery orders under this SIN shall not be deemed to obligate succeeding fiscal year funds. The ordering activity shall provide the Contractor with written notice of exercise of each renewal option as soon as practicable. Notice requirements may be negotiated on an order-by-order basis.
	4. Where an ordering activity’s specific appropriation or procurement authority provides for contracting beyond the fiscal year period, the ordering activity may place a delivery order for a period up to the expiration of the Lease Term, or to the expiration of the period of availability of the multi-year appropriation, or whatever is appropriate under the applicable circumstances.
3. LEASE TERMINATION
	1. The ordering activity must elect the Lease Term of the relevant delivery order. The Contractor (and assignee, if any) will rely on the ordering activity’s representation of its intent to fulfill the full Lease Term to determine the monthly lease payments calculated herein.
		1. The ordering activity may terminate or not renew leases under this option at no cost, pursuant to a Termination for Non-Appropriation as defined herein (see paragraph (c) below). In any other event, the ordering activity’s contracting officer may either terminate the relevant delivery order for cause or Termination for Convenience in accordance with GSAR 552.212-4 paragraphs (l) and (m).
		2. The Termination for Convenience at the end of a fiscal year allows for separate charges for the early end of the lease (see paragraph (d) below). In the event of termination for the convenience of the ordering activity, the ordering activity may be liable only up to the amount beyond the order’s Termination Ceiling. Any termination charges calculated under the Termination for Convenience clause must be determined or identified in the delivery order or in the lease agreement.
	2. Termination for Convenience of the Ordering Activity: Leases entered into under this option may not be terminated except by the ordering activity’s contracting office responsible for the delivery order in accordance with GSAR 552.212-4, Contract Terms and Conditions Commercial Items, paragraph (l) Termination for Convenience of the ordering activity. The costs charged to the ordering activity as the result of any Termination for Convenience of the ordering activity must be reasonable and may not exceed the sum of the fiscal year’s payment obligations less payments made to date of termination plus the Termination Ceiling.
	3. Termination for Non-Appropriation: The ordering activity reasonably believes that the bona fide need will exist for the entire Lease Term and corresponding funds in an amount sufficient to make all payments for the lease Term will be available to the ordering activity. Therefore, it is unlikely that leases entered into under this option will terminate prior to the full Lease Term. Nevertheless, the ordering activity’s contracting officer may terminate or not renew leases at the end of any initial base period or option period under this paragraph if (a) it no longer has a bona fide need for the product or functionally similar product; or (b) there is a continuing need, but adequate funds have not been made available to the ordering activity in an amount sufficient to continue to make the lease payments. If this occurs, the ordering activity will promptly notify the Contractor, and the product lease will be terminated at the end of the last fiscal year for which funds were appropriated. Substantiation to support a termination for non- appropriation shall be provided to the Contractor upon request.
	4. Termination Charges: At the initiation of the lease, termination ceilings will be established for each year of the lease term. The termination ceiling is a limit on the amount that a Contractor may be paid by the ordering activity on the Termination for Convenience of a lease. No claim will be accepted for future costs: supplies, maintenance, usage charges or interest expense beyond the date of termination. In accordance with the bona fide needs rule, all termination charges must reasonably represent the value the ordering activity received for the work performed based upon the shorter lease term. No Termination for Convenience costs will be associated with the expiration of the lease term.
	5. At the order level, the ordering activity may, consistent with legal principles, negotiate lower monthly payments or rates based upon appropriate changes to the termination conditions in this section.
4. The following terms and conditions may be included.
5. ASSIGNMENT OF CLAIMS

GSAR 552.232-23, Assignment of Claims, is incorporated herein by reference as part of these lease provisions. The ordering activity’s contracting officer will acknowledge the assignment of claim for a lease in accordance with FAR 32.8. The extent of the assignee’s protection is in accordance with FAR 32.804. Any setoff provision must be in accordance with FAR 32.803.

1. PEACEFUL POSSESSION AND UNRESTRICTED USE

In recognition of the types of products available for lease and the potential adverse impact to the ordering activity’s mission, the ordering activity’s quiet and peaceful possession and unrestricted use of the product shall not be disturbed in the event the product is sold by the Contractor, or in the event of bankruptcy of the Contractor, corporate dissolution of the Contractor, or other event. The product shall remain in the possession of the ordering activity until the expiration of the lease. Any assignment, sale, bankruptcy, or other transfer of the leased product by the Contractor will not relieve the Contractor of its obligations to the ordering activity, and will not change the ordering activity’s duties or increase the burdens or risks imposed on the ordering activity.

1. COMMENCEMENT OF LEASE

The date on which the ordering activity accepts the products is the Commencement Date of the lease. Acceptance is as defined elsewhere in the contract, or as further specified in the order.

1. INSTALLATION AND MAINTENANCE
2. Installation and Maintenance, when applicable, normally are not included in the charge for leasing. The Contractor may require the ordering activity to obtain installation and maintenance services from a qualified source. The ordering activity may obtain installation and/or maintenance on the open market, from the Contractor’s schedule contract, or from other sources. The ordering activity may also perform installation and/or maintenance in house, if qualified resources exist. In any event, it is the responsibility of the ordering activity to ensure that maintenance is in effect for the Lease term for all products leased.
3. When installation and/or maintenance are ordered under this schedule to be performed by the Contractor, the payments, terms and conditions as stated in this contract apply. The rates and terms and conditions in effect at the time the order is issued shall apply during any subsequent renewal period of the lease. The maintenance rates and terms and conditions may be added to the lease payments with mutual agreement of the parties.
4. MONTHLY PAYMENTS:
	1. Prior to the placement of an order under this Special Item Number, the ordering activity and the Contractor must agree on a “base value” for the products to be leased. For Lease to Ownership (Capital Lease) the base value will be the contract purchase price (less any discounts). For Lease with Option to Own (Operating Lease), the base value will be the contract purchase price (less any discounts), less a mutually agreed upon residual value (pre-stated purchase option price at the conclusion of the lease) for the products. The residual value will be used in the calculation of the original lease payment, lease extension payments, and the purchase option price.
	2. To determine the initial lease term payment, the Contractor agrees to apply the negotiated lease factor to the agreed upon base value:

For Example: Lease factor one (1) percent over the rate for the three year (or other term) Treasury Bill (T-bill) at the most current U. S. Treasury auction.

The lease payment may be calculated by using a programmed business calculator or by using “rate” functions provided in commercial computer spreadsheets.

* 1. For any lease extension, the extension lease payment will be based on the original residual value, in lieu of the purchase price. The ordering activity and the Contractor shall agree on a new residual value based on the estimated fair market price at the end of the extension. The formula to determine the lease payment will be that in 5.b. Above.
	2. The purchase option price will be the fair market value of the product or payment will be based upon the unamortized principle, as shown on the payment schedule as of the last payment prior to the date of transfer of ownership, whichever is less.
	3. The point in time when monthly rates are established is subject to negotiation and evaluation at the order level.
	4. In the event the ordering activity desires, at any time, to acquire title to product leased hereunder, the ordering activity may make a one-time lump sum payment.
1. LEASE END/DISCONTINUANCE OPTIONS
	1. Upon the expiration of the Lease Term, Termination for Convenience, or Termination for Non- Appropriation, the ordering activity will return the Product to the Contractor unless the ordering activity by 30 days written notice elects either:
		1. to purchase the product for the residual value of the product, or
		2. to extend the term of the Lease, as mutually agreed. To compute the lease payment, the residual value from the preceding lease shall be the initial value of the leased product. A new residual value shall be negotiated for the extended lease and new lease payments shall be computed.
2. Relocation - The ordering activity may relocate products to another location within the ordering activity with prior written notice. No other transfer, including sublease, is permitted. ordering activity shall not assign, transfer or otherwise dispose of any products, or any interest therein, or crate or suffer any levy, lien or encumbrance then except those created for the benefit of Contractor or its assigns.
3. Returns
	1. Within fourteen (14) days after the date of expiration, non-renewal or termination of a lease, the ordering activity shall, at its own risk and expense, have the products packed for shipment in accordance with manufacturer's specifications and return the products to Contractor at the location specified by Contractor in the continental US, in the same condition as when delivered, ordinary wear and tear excepted. Any expenses necessary to return the products to good working order shall be at ordering activity's expense.
	2. The Contractor shall conduct a timely inspection of the returned products and within 45 days of the return, assert a claim if the condition of the product exceeds normal wear and tear.
	3. Product will be returned in accordance with the terms of the contract and in accordance with Contractor instruction.
	4. With respect to software, the ordering activity shall state in writing to the Contractor that it has:
		1. deleted or disabled all files and copies of the software from the equipment on which it was installed;
		2. returned all software documentation, training manuals, and physical media on which the software was delivered; and
		3. has no ability to use the returned software.
4. UPGRADES AND ADDITIONS
5. The ordering activity may affix or install any accessory, addition, upgrade, product or device on the product ("additions") provided that such additions:
	* 1. can be removed without causing material damage to the product;
		2. do not reduce the value of the product; and
		3. are obtained from or approved by the Contractor, and are not subject to the interest of any third party other than the Contractor.
6. Any other additions may not be installed without the Contractor's prior written consent. At the end of the lease term, the ordering activity shall remove any additions which:
	* 1. were not leased from the Contractor, and
		2. are readily removable without causing material damage or impairment of the intended function, use, or value of the product, and restore the product to its original configuration.
7. Any additions that are not so removable will become the Contractor's property (lien free).
8. Leases of additions and upgrades must be co-terminus with that of the product.
9. RISK OF LOSS OR DAMAGE

The ordering activity is relieved from all risk of loss or damage to the product during periods of transportation, installation, and during the entire time the product is in possession of the ordering activity, except when loss or damage is due to the fault or negligence of the ordering activity. The ordering activity shall assume risk of loss or damage to the product during relocation, (i.e., moving the product from one ordering activity location to another ordering activity location), unless the Contractor shall undertake such relocation.

1. TITLE

During the lease term, product shall always remain the property of the Contractor. The ordering activity shall have no property right or interest in the product except as provided in this leasing agreement and shall hold the product subject and subordinate to the rights of the Contractor. Software and software licenses shall be deemed personal property. The ordering activity shall have no right or interest in the software and related documentation except as provided in the license and the lease. Upon the Commencement Date of the Lease Term, the ordering activity shall have an encumbered license to use the software for the Lease Term. The ordering activity’s encumbered license rights in the software will be subject to the same rights as provided to a purchaser of a license under the terms of this contract except that the ordering activity will not have an unencumbered, paid-up license until it has made all lease payments for the full Lease Term in the case of a Lease To Ownership or has otherwise paid the applicable purchase option price.

1. TAXES

The lease payments, purchase option prices, and interest rates identified herein exclude all state and local taxes levied on or measured by the contract or sales price of the product furnished hereunder. The ordering activity will be invoiced for any such taxes as Contractor receives such tax notices or assessments from the applicable local taxing authority. Pursuant to the provisions of FAR 52.229-1 State and Local Taxes, the ordering activity agrees to pay tax or provide evidence necessary to support an exemption from the tax.

1. ADDITIONAL LEASE TERMS

Offeror may propose additional lease terms and conditions for billings, payments, and/or invoices, as long as they are consistent with the terms and conditions specified elsewhere.